

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SSM-03 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9437

INFO AMEMBASSY TEL AVIV

C O N F I D E N T I A L CAIRO 16748

EO 11652: GDS

TAGS: ENRG, PFOR, EG, US

SUBJ: NEW OIL EXPLORATION AND PRODUCTION AGREEMENTS IN SINAI

REF CAIRO A-144 (NOTAL)

1. EGYPTIAN GENERAL PETROLEUM CORP HAS ANNOUNCED THAT IT IS IN PROCESS COMPLETING NEGOTIATIONS WITH THREE COMPANIES, TWO OF THEM AMERICAN, FOR AWARDS OF EXPLORATION/PRODUCTION AGREEMENTS FOR ACREAGE ON-AND OFF-SHORE IN SINAI. (PRECISE AREA DESCRIBED IN CAIRO A-144) AGREEEMTNT WITH GULF OIL CO WILL REPORTEDLY BE FOR TWO BLOCKS JUST EAST OF CANAL, EASTERN BOUNDARIES OF WHICH APPROXIMATE LINE E OF SINAI II DISENGAGEMENT AGREEMENT. CONOCO REPORTEDLY IN FINAL STAGES OF NEGOTIATIONS FOR ALL THREE BLOCKS WHICH LIE ENTIRELY WITHIN BUFFER ZONE. FRENCH COMPANIES TOTAL AND AGIP WILL SIGN AGREEMENT FOR TWO BLOCKS IMMEDIATELY OFFSHORE IN MEDITERRANEAN. ACCORDING EGPC AGREEMENTS DIR, NEGOTIATIONS WILL BE COMPLETED AND AGREEMENTS INITIALLED FIRST WEEK OF DEC. AGREEMENTS WILL THEN HAVE TO GO TO PEOPLE'S ASSEMBLY FOR APPROVAL BEFORE FINAL SIGNATURE AND START OF COMPANIES

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OBLIGATIONS.

2. DURING CALL ON MFA LEGAL AFFAIRS DIR AL-ARABY NOV 29, EMBOFFS ASKED ABOUT ARRANGEMENTS FOR AGREEMENT COVERING BUFFER ZONE. AL-ARABY SAID EGYPT'S POSITION WAS THAT ACCESS TO BUFFER ZONE WOULD HAVE TO BE WORKED OUT BETWEEN GOE AND UN. GOE HAS ALREADY ASKED UN FOR ITS OPINION REGARDING CIVILIAN ACTIVITIES INCLUDING OIL EXPLORATION IN BUFFER ZONE. ACCORDING AL-ARABY, SEC GEN WALDHEIM HAS DISCUSSED THIS QUESTION WITH SEC KISSINGER AND WAS TOLD THAT WAS MATTER FOR PARTIES TO WORK OUT IN JOINT COMMISSION. AL-ARABY SAID THAT SINAI AGREEMENT IS SILENT ON QUESTION OF CIVILIAN ACTIVITY, AND SINCE AREA IS SOVEREIGN EGYPTIAN TERRITORY, AND UN HAS NOT SAID SUCH ACTIVITY WOULD BE IMPOSSIBLE, HE FORESEES NO PROBLEM WITH GAINING ACCESS FOR COMPANIES TO CARRY OUT EXPLORATION ACTIVITIES UNHINDERED. AL-ARABY REFLECTS TO BEST OF OUR KNOWLEDGE OFFICIAL GOE POSITION ON THIS QUESTION.

3. COMMENT. IT THEREFORE FALLS TO LOT OF AMERICAN COMPANY, CONOCO, TO TAKE ON PROBLEM OF ACCESS TO AND RELATED UNCERTAINTY OF CIVILIAN ACTIVITIES IN BUFFER ZONE. CONOCO HAS TOLD US THEY INTEND WRITE AGREEMENT SO THAT THEY WILL BEAR NO RESPONSIBILITY FOR PROCURING PERMITS TO WORK IN THEIR AGREED AREA AND SO THAT BOTH EGPC AND CONOCO WILL JOINTLY HAVE TO DECLARE AREA AVAILABLE BEFORE CONOCO'S COMMITMENTS BEGIN. WE CAN NEVERTHELESS EXPECT TO BE DRAWN INTO THIS ISSUE AT LATER DATE IN ONE WAY OR ANOTHER, AND WOULD APPRECIATE DEPT'S VIEWS ON OIL EXPLORATION ACTIVITIES IN BUFFER ZONE. EILTS

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